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Leon L. Nowalsky
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Ellen Ann G. Sands

Bruce C. Betzer

OFFICE OF THE
EXECUTIVE SECRETARY

April 15, 2002

BY OVERNIGHT DELIVERY

Chief Clerk
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

PAID T.R.A.	
Chk #	<u>10819</u>
Amount	<u>25.00</u>
Rev'd By	<u>JP</u>
Date	<u>4-16-02</u>

02-00435
Re: Application for Approval of an Asset Purchase Agreement by and
between LecStar Telecom, Inc. and Nuvox Communications, Inc.


Dear Sir or Madam:

On behalf of LecStar Telecom, Inc. and Nuvox Communications, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is a check in the amount of \$25.00 to cover the cost of the filing.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided as evidence of the filing.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,


EllenAnn G. Sands

Enclosures

cc: Michael Britt (letter and application only)
Hamilton Russell (letter and application only)

BEFORE THE REGULATORY AUTHORITY

STATE OF TENNESSEE

JOINT APPLICATION OF LECSTAR TELECOM, INC. AND NUVOX COMMUNICATIONS, INC. FOR APPROVAL OF AN ASSET PURCHASE AGREEMENT	CASE NO. _____
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JOINT APPLICATION

LecStar Telecom, Inc., ("LecStar") and Nuvox Communications, Inc., (Nuvox"), (collectively referred to as "Applicants") pursuant to the applicable Statutes of this state and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby jointly request Commission approval of an Asset Purchase Agreement¹ (the "Agreement"). As will be described in more detail below, the Agreement contemplates the purchase by LecStar of certain telecommunications assets of Nuvox. LecStar proposes to acquire the telecommunications assets of Nuvox, to include only the residential local and long distance customers of Nuvox located in the BellSouth service territory. LecStar will not purchase and Nuvox will not sell the current business customers of Nuvox. The residential customers of Nuvox would be given the opportunity to switch their service from Nuvox to a substantially similar product offering of LecStar or choose a different carrier. Those customers who choose to switch to LecStar would begin to receive local and long distance service provided by LecStar under the Certificate of Public Convenience and Necessity, or other operating authority, previously issued to LecStar. As regulated telecommunications providers, LecStar and Nuvox hereby seek Commission approval of the Agreement.

¹

A copy of the Agreement is attached hereto as Exhibit "A."

Commission approval of the Agreement will be beneficial to the involved companies as well as their customers. Following consummation of the Agreement and consolidation of the assets, LecStar will be able to provide communications services to its customers in a more efficient manner. Approval of the Agreement will not in any way be detrimental to the public interests of this State. The customers of both LecStar and Nuvox will continue to receive the same high quality service presently rendered to them. Additionally, no party to the Agreement will be given undue advantage over any other party.

In support of this Application, Applicants show the following:

I. THE PARTIES

1. LecStar is a Georgia corporation with principal offices located at 4501 Circle 75 Parkway, Suite 4210, Building D, Atlanta, Georgia 30339. LecStar is a wholly owned subsidiary of LecStar Corporation, a publicly held Texas corporation. LecStar is a competitive provider of local and interexchange services. LecStar is a certificated local and interexchange provider in this State.²

2. Nuvox is a privately held South Carolina corporation with principal offices located at 16090 Swingley Ridge Road, Suite 500, Chesterfield, Missouri 63017. Nuvox is a certificated carrier in this State.³

² In this State, LecStar provides resold intrastate local exchange and long distance telecommunications services pursuant to authority granted in Docket Number 99-00818, effective date February 15, 2000.

³ In this state, Nuvox was granted authority to provide local exchange and long distance telecommunications services pursuant to authority granted in Docket No. 99-00806, dated February 22, 2000 and Docket No. 01-000643, dated July 31, 2001.

II. DESIGNATED CONTACT

5. The designated contact for questions concerning this Application is:

EllenAnn G. Sands
Nowalsky, Bronston & Gothard, A.P.L.L.C.
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Telefax: (504) 831-0892

6. Copies of such correspondence should also be sent to:

Michael E. Britt
LecStar Telecom, Inc.
4501 Circle 75 Parkway, Suite D-4210
Atlanta, GA 30339
Telephone: (404) 659-9500
Telefax: (404) 659-4900

and

Hamilton E. Russell, III
Vice President of Legal and Regulatory Affairs
NuVox Communications, Inc.
301 North Main Street
Greenville, SC 29601

III. REQUEST FOR APPROVAL OF THE ASSET PURCHASE AGREEMENT

7. Applicants propose a transaction which will accomplish the following:
- a. Nuvox shall sell, transfer and assign to LecStar all of Nuvox's right, title and interest in and to Nuvox's residential local and long distance telecommunications assets, as defined in the Asset Purchase Agreement;
 - b. In consideration for the above transfer and sale of assets, LecStar will pay to Nuvox the purchase price set forth in the Asset Purchase Agreement.

- c. Following the transaction, Nuvox will continue to provide telecommunications services to its business customers, pursuant to the authority previously granted in this State.

8. LecStar is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for LecStar is attached hereto as Exhibit "B".⁴

9. LecStar proposes this transaction to transfer and consolidate the residential customer accounts of Nuvox in order to create a single, larger provider of residential local and long distance telecommunications services, facilitating efficiencies for the benefit for all of LecStar's customers. By virtue of these transactions, LecStar will realize significant economic, marketing and administrative efficiencies.

10. Following consummation of the transaction discussed above, the customers of Nuvox would be given the opportunity to switch their service from Nuvox to a substantially similar product offering of LecStar or choose a different carrier. Those customers of Nuvox who choose to switch their service to LecStar, will be transferred to LecStar and LecStar will continue to service these customers through and pursuant to the Certificate of Public Convenience and Necessity, or other operating authority, presently utilized by LecStar in servicing its existing customers in this State.⁵

⁴ Exhibit "B" consists of LecStar Corporation's Consolidated Financials for year end 2001.

⁵ Prior to consummation of the proposed transaction, LecStar intends to notify all current end users of Nuvox of the event and of the opportunity to switch their service to a substantially similar product offering of LecStar or to choose a different carrier. The notification will be by bill insert, a sample copy of which is attached hereto as Exhibit "C".

11. The technical, managerial and financial personnel of Nuvox will assist with the transition and integration of the acquired Assets for a designated period following the transaction. Thereafter, the technical, managerial and financial personnel of LecStar, will continue servicing the transferred Nuvox customers with the same high level of expertise that they have had in the past.

IV. PUBLIC INTEREST CONSIDERATIONS

12. Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by Nuvox. The proposed transaction will serve the public interest for the following reasons:

- a. It will enable LecStar to provide a streamlined level of service for all involved customers by creating a single, larger provider of telecommunications services to the customers in this State. The transaction will enhance the operating efficiencies, including market efficiencies, of LecStar.
- b. It will increase the appeal to present and potential customers because of LecStar's larger size and greater variety of service offerings and market visibility.
- c. Finally, it will result in cost savings as the result of discounts on quantity ordering of materials and services.

13. Accordingly, the requested transaction and subsequent consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of LecStar to compete in the marketplace and to provide telecommunications services for a greater number of consumers in this state at competitive rates.

14. Additionally, LecStar will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier able to

provide a higher quality and variety of services to all customers presently serviced by both LecStar and Nuvox.

V. EXPEDITED REVIEW

15. Applicants request expedited review and disposition of the instant Application in order to allow Applicants to consolidate their respective operations as soon as possible.

VI. NO TRANSFER OF CERTIFICATES

16. Applicants do not request transfer of Nuvox's Certificate of Public Convenience and Necessity, or other operating authority, to LecStar. Nuvox will continue servicing its business customers under its own certifications.

VII. CONCLUSION

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission authorize LecStar and Nuvox to consummate the Agreement described above. More specifically, Applicants request that the Commission, on an expedited basis, approve the Agreement, the asset purchase transaction contemplated therein and the transfer of Nuvox's current residential local and long distance customer accounts to LecStar.

DATED this 15th day of April, 2002.

Respectfully submitted,



EllenAnn G. Sands
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company.
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 832-1984
Counsel for LecStar Telecom, Inc. and
Nuvox Communications, Inc.

STATE OF

COUNTY OF

VERIFICATION

I, Michael E. Britt, am the President of LecStar Telecom, Inc. and am authorized to make this Verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By:

Michael E. Britt

Name: Michael E. Britt

Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 3rd day of April, 2002.

Carol A. Dixon
Notary Public

My commission expires:

Notary Public, Fulton County, Georgia
My Commission Expires August 27, 2002

STATE OF SOUTH CAROLINA

COUNTY OF GREENVILLE

VERIFICATION

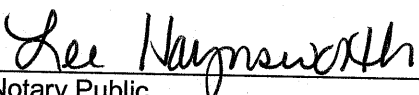
I, Hamilton E. Russell, III, am the Vice President of Legal and Regulatory Affairs for Nuvox Communications, Inc. and am authorized to make this Verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 

Name: Hamilton E. Russell, III

Title: Vice President of Legal and Regulatory Affairs

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 10th day of April, 2002.


Notary Public

My commission expires:

My Commission Expires January 19, 2009

EXHIBIT A

Agreement



301 North Main Street, Suite 5000
Greenville, SC 29601

CONFIDENTIAL

April 1, 2002

Michael Britt
President and Chief Operating Officer
LecStar Telecom, Inc.
Suite 4210, Building D
4501 Circle 75 Parkway
Atlanta, Georgia 30339

Dear Mr. Britt:

This letter agreement is entered into between the undersigned parties, NuVox Communications, Inc. ("Seller"), and LecStar Telecom, Inc., a Georgia Corporation ("Buyer"), as of the above date (this "Migration Agreement"), in connection with the transaction described herein (the "Migration").

1. **Migration of Customers.** As a result of the intended strategic discontinuance of Seller's residential resale service offering in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee (individually and collectively, the "BellSouth State(s)"), Seller will discontinue, as described herein, residential resale services to certain of its affected residential end users (the "Customers").

Attached hereto as Schedule 1 is a list providing certain information including but not limited to name, address, telephone number, service type, features and long distance carrier designation with respect to the Customers. Within three business days following execution and delivery of this Migration Agreement, Seller agrees to deliver correspondence and letters of authorization ("Joint Marketing Materials" as defined below in Section 2), for purposes of facilitating the Migration. Following execution and delivery of this Migration Agreement and delivery of Joint Marketing Materials to the affected Customers, Seller will afford Buyer the right to solicit the residential resale services of the Customers, subject to the other terms of this Migration Agreement (the "Solicitation Right") and, for all Customers that have not effectively migrated to Buyer services by executing an LOA and successfully provisioned on Buyer's OSS or migrated to the service of an alternative provider, shall transfer any remaining Customers to Buyer as soon as practicable following the date of approval by the applicable public service commission or regulatory agency with regulatory authority over provision of telecommunications services in the BellSouth State in which such Customer is located ("Regulatory Approval Date"). Seller agrees that it will not grant a similar solicitation right for the Customers identified on Schedule 1 attached hereto to any other party; provided, however, Seller shall not be deemed to be in breach of this covenant if a third party independently solicits any Customer without an introduction by Seller or if any given Customer contracts directly with a third party in its discretion. Buyer agrees to use reasonable efforts to actively solicit and migrate the Customers pursuant to this Migration Agreement. For purposes hereof, the "Solicitation Period" shall commence on the date Seller advises Buyer, in writing, that Seller has

provided the Joint Marketing Materials to its Customers and shall terminate at the close of business (New York time) on the business day immediately following the Regulatory Approval Date, as defined above, unless extended by the mutual agreement of the Parties. As further consideration for that Solicitation Right, Buyer shall take such further actions and execute and deliver such other documents, at cost of Seller, as Seller shall reasonably request, including without limitation cooperating with Seller's notice process to its Customers.

2. **Joint Marketing.** Commencing on the date of this Migration Agreement, Seller shall use reasonable efforts to persuade Customers designated by Buyer to subscribe to Buyer's service(s). In connection therewith, Seller shall transmit to Customers designated by Buyer, via United States mail, the Joint Marketing Materials which (i) meet the requirements of the Federal Communications Commission ("FCC") and the applicable public service commission or regulatory agency with regulatory authority over provision of telecommunications services in the BellSouth State in which such Customer is located, (ii) states that Seller will cease provision of the residential resale service(s) following the Regulatory Approval Date, (iii) recommends Buyer as a source for services which are substantially functionally equivalent to the Seller service(s), and (iv) is accompanied by a letter of authorization ("LOA") which meets the requirements of the FCC and the applicable public service commission or regulatory agency with regulatory authority over provision of telecommunications services and which, when executed by such Customer, will authorize Buyer to act as Customer's agent to terminate such Customer's subscription to the Seller service(s) and to subscribe such Customer to Buyer service(s) which are substantially similar to the Seller service(s). The form of such letters shall be subject to the approval of the Parties, which approval shall not be unreasonably withheld. In addition, upon Buyer's request, Seller shall also convey the information required pursuant to subsection (i) through (iv) to Customers via other methods of regular business communication between Seller and such Customers specified by Buyer, including without limitation inserts in billing statements or customer service contacts.

The form and content of any marketing solicitation communicated by either Party to the Customers which refers to the other Party (including, without limitation, outbound call scripts) shall be subject to the effected Party's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Each Party agrees not to misrepresent the other Party or its products or services, cast the other Party in a negative light in the course of its marketing efforts to the Customers in any market or suggest that the Parties are partners, agents of each other, joint venturers or affiliates in any way.

The form and content of any marketing announcements or press releases by either Party related or referring to this transaction shall be subject to the prior written approval of the other Party.

Each party hereby grants the other party a nonexclusive, royalty-free licenses to use, during the Transition Period, its name and marks solely for purposes of communicating to the Customers the Migration contemplated hereby.

The Parties agree to share equally all mutually agreed incremental costs incurred by the Parties in the performance of its joint marketing obligations. From time to time during the term of this Agreement, each Party shall, upon request, reimburse the other to the extent necessary to ensure that neither Party bears more than one-half of the total of all mutually agreed incremental expenses incurred by the Parties in the performance of the joint marketing obligations.

3. **Purchase Price.** Subject to the provisions of this Section 3, on the 20th day of each calendar month commencing on the 20th day of the first (1st) calendar month since the date of this Migration Agreement and, with respect to each Transferred Customer, but in no event to exceed nine months from the date of migration to the Buyer services and OSS for each Transferred Customer, Buyer shall pay to Seller for each Transferred Customer a Commission equal to \$2.90 for nine months so that the maximum cash purchase price shall equal \$26.00 for each Transferred Customer. For purposes of this Migration Agreement, "Transferred Customer" shall mean any Customer successfully migrated to the services of Buyer. As each Customer is effectively migrated to Buyer, Buyer shall fax to Seller, on a monthly basis, copies of documents indicating each Transferred Customer effectively migrated from the service of Seller to the services of Buyer ("Monthly Report"). Buyer shall make payment to Seller for those Transferred Customers effectively migrated to Buyer as described herein (an amount equal to \$2.90 multiplied by the number of Transferred Customers listed on the Monthly Report).

Seller shall have a right to contact the affected Customers in order to confirm whether or not any given Customer has been effectively migrated to Buyer. Upon the reasonable request of Buyer, Seller agrees to issue a release, acceptable in form and content to Seller, authorizing Buyer to take other actions in furtherance of the Migration. Buyer is responsible for any and all charges or expenses associated with its transition efforts, including, without limitation, any BellSouth imposed charges incurred as part of the technical migration of an affected Customer's services.

4. **Transfer of Ownership of Customer Account Records.** Seller agrees that, in the event a Customer executes and returns an LOA to Buyer, all of Seller's right, title and interest in the Customer account and all Customer account record(s) associated with such Customer shall be transferred to Buyer upon Buyer's first provision of Buyer Service(s) to such Customer, and Seller shall deliver to Buyer, upon Buyer's request, copies of any such Customer account records in Seller's possession, custody or control.

5. **Regulatory Approval.** Buyer shall apply for with any applicable state and federal regulatory authorities, and thereafter diligently pursue, any and all consents, orders, decrees or approvals necessary to authorize the transfer from Seller to Buyer all of Seller's right, title and interest in Customer accounts designated by Buyer from time to time (such consents, orders, decrees or approvals with respect to a given BellSouth State are collectively "Regulatory Approval(s)"). Seller agrees to cooperate with Buyer in, and provide timely, complete and accurate information requested or required by Buyer in connection with, any efforts to obtain any Regulatory Approval, including without limitation participating as a party in such applications or pursuit of Regulatory Approvals where required by applicable law. Each Party shall have the right to review any documents to be submitted to any state and federal regulatory authorities by the other Party in connection with any efforts to obtain any Regulatory Approval, and neither Party shall transmit any such documents to any such state and federal regulatory authorities without the express consent of the other Party, which consent shall not be unreasonably withheld. The obligations of the Parties pursuant to this paragraph shall continue, with respect to each BellSouth State, until the last to occur of (i) the first date on which there are no Customers in such BellSouth State or (ii) the Regulatory Approval Date.

Seller agrees that, upon each grant of Regulatory Approval, all of Seller's right, title and interest in the Customer Accounts to which such Regulatory Approval pertained and all associated Customer Account Records (in whatever form or media embodied) shall automatically be transferred to Buyer, and Seller shall deliver to Buyer, upon Buyer's request, all copies of such Customer Account Records in Seller's possession, custody or control.

6. **Deposits.** With respect to each Transferred Customer, Seller acknowledges and agrees that Seller bears sole responsibility for all security deposits attributable to such Transferred Customer in Seller's possession, custody or control, along with all interest accrued thereon, including without limitation any application of such deposit to amounts due from such Transferred Customer and any obligation to return such deposit and interest to such Transferred Customer.
7. **Withdrawal of Service Offerings.** Seller agrees to apply for approval from the applicable federal and state regulatory authorities (to the extent such approval is required) to modify Seller's tariffs so as to eliminate from Seller's service offerings in each BellSouth State residential local exchange and interexchange product offerings except the Required Seller Service(s). Seller shall take the foregoing action (i) with respect to each BellSouth State in connection with which all necessary Regulatory Approvals have been granted, immediately upon the last grant of such Regulatory Approvals, and Seller shall use best efforts to ensure that such modification(s) becomes effective within ninety (90) days of such last grant of such Regulatory Approvals applicable to such BellSouth State.
8. **Agreement Not to Compete.** For a period of eighteen months following the last Regulatory Approval Date, Seller shall not, within any BellSouth State, either directly or indirectly, on its own behalf or in the service of or on behalf of others, provide to any Customer(s) any residential local exchange or interexchange telecommunications services (excluding non-voice Internet data services (specifically excluding Digital Subscriber Line services)) except for Required Seller Service(s).
9. **Confidentiality.** The Parties agree to keep confidential, and not to use or disclose, except to the extent required for each Party's performance or exercise of its rights hereunder to any third party, any confidential or proprietary information of the other Party, including, without limitation, any Customer information or data, or pricing information, which that Party may discover or have access to in connection with the Migration. Without limiting the foregoing, the Parties agree not to make use of or disclose to any third party (including for the marketing of Buyer's or any other party's services) any Customer identifying information or data relating to any Customers who are not effectively migrated hereunder.
10. **Indemnity.** Buyer will indemnify and hold Seller harmless from any claim for broker or finders fees arising out of the transactions contemplated hereby by any person or entity claiming to have been engaged by the Buyer. Seller will indemnify and hold Buyer harmless from any claim for broker or finders fees arising out of the transactions contemplated hereby by any person or entity claiming to have been engaged by the Seller. Each Party shall bear its own expenses in connection with preparing for and consummating the transactions contemplated hereby. Buyer agrees to indemnify Seller and hold it harmless from and against any and all damages, losses or claims arising from a breach by Buyer of this Migration Agreement or Buyer's servicing of, or alleged failure to service, any Customer's account from and after the any Regulatory Approval Date. Seller agrees to indemnify Buyer and hold it harmless from and against any and all damages, losses, or claims arising from a breach by Seller of this Migration Agreement or Seller's servicing of, or alleged failure to service, any Customer's account prior to any Regulatory Approval Date.
11. **Termination of Solicitation Right.** Seller may suspend or terminate Buyer's Solicitation Right with respect to any specified Customer upon written notice to Buyer in order to comply with the request of any applicable regulatory authority. This Section 11 shall not otherwise limit or affect the other provisions of this Migration Agreement.
12. **Miscellaneous.** This Migration Agreement may be executed in counterparts, all of which taken together shall constitute one and the same document, and shall be effective upon the exchange, by facsimile or otherwise, of executed signature pages. This Migration Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (regardless of the laws that might

otherwise govern under applicable principles of conflicts of law). Nothing herein is intended or shall be construed to confer upon any person or entity other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this letter of intent. This Migration Agreement shall expire upon the final Regulatory Approval Date; provided, however, the parties' respective obligations owing as of the date of expiration shall survive in accordance with their terms, including, without limitation, the parties' respective indemnity obligations, confidentiality obligations and Buyer's payment and reporting obligations hereunder. The headings of the various sections of this Migration Agreement have been inserted for reference only and shall not be deemed to be a part of this letter. No modification, amendment or waiver of any provision of this Migration Agreement shall be effective against the parties hereto unless such modification, amendment or waiver is approved in writing by each party. The failure of any party to enforce any of the provisions of this Migration Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Migration Agreement in accordance with its terms. No party may assign either this Migration Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of other party. All notices given hereunder shall be made in writing, and shall be addressed to the parties at their respective addresses indicated above (or such other addresses as either party shall have advised the other of in writing) and shall be deemed received on the next business day, if sent via overnight delivery by a reputable overnight messenger, on the third business day, if sent via U.S. first-class mail, or upon receipt of electronic confirmation if sent via fax or e-mail, as the case may be.

If you are in agreement with the foregoing, please execute this Migration Agreement where indicated below and return a signed copy to us via facsimile transmission (864.331.1236), with original to follow via overnight courier. In the event Seller does not receive a copy of this Migration Agreement, signed by Buyer, by 6:00 p.m., New York time, on April 1, 2002, the offer to contract on the terms set forth in this Migration Agreement shall expire and be of no further force or effect.

Very truly yours,

NuVox Communications, Inc.

By: _____
Name:
Title:

Accepted and Agreed to:

LecStar Telecom, Inc

By: _____
Name:
Title:

Schedule 1

Customers

(attached hereto)

EXHIBIT B

Financials

LECSTAR CORPORATION

CONSOLIDATED BALANCE SHEET

December 31, 2001

ASSETS

Current assets:

Cash and cash equivalents	\$ 55,193
Accounts receivable, net of allowance for doubtful accounts of \$53,826	548,417
Prepaid expenses and other current assets	157,538

Total current assets	761,148
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Long term investments	250,000
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Property and equipment:

Furniture and fixtures	326,241
Network equipment	2,188,273
Software	586,638
Leasehold improvements	125,189

Accumulated depreciation	3,226,341
	(1,133,397)

Net property and equipment	2,092,944
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Restricted cash	45,000
Other assets	357,953

Total assets	\$3,507,045
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable	\$2,267,342
Accrued expenses	2,387,330
Unearned revenue	155,600
Current portion of notes payable	88,649
Current portion of convertible debentures	180,000
Current portion of capital lease obligations	51,535
Capital lease obligations in default	1,139,489

Total current liabilities	6,269,945
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Long-term portion of notes payable	2,940,487
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Stockholders' deficit:

Cumulative Preferred Stock	
Issued and outstanding - 1,147,249	1,147,249
Common stock, \$.01 par value:	
Authorized - 500,000,000 shares	
Issued and outstanding - 111,932,768	1,119,328
Deferred compensation	(193,951)
Additional paid-in capital	40,362,532
Net unrealized loss on securities	(550,000)
Accumulated deficit	(47,588,545)

Total stockholders' deficit	(5,703,387)
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Total liabilities and stockholders' deficit	\$3,507,045
	=====

LECSTAR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31	
	2001	2000
<S>		
Revenues	<C> \$ 4,950,006	<C> \$ 1,847,988
Operating expenses:		
Cost of sales	3,172,017	1,588,892
Selling, general and administrative expenses	10,295,309	7,217,521
Depreciation and amortization	8,589,274	1,297,721
Write-down of net property and equipment	679,295	-
Impairment of intangibles	4,651,334	-
Total operating expenses	27,387,229	10,104,134
Loss from operations	(22,437,223)	(8,256,146)
Other income (expense):		
Interest expense	(7,470,623)	(5,412,773)
Other income	-	6,778
Net loss	(29,907,846)	(13,662,141)
Preferred stock dividends	(1,974,849)	-
Net loss attributable to common stockholders	\$(31,882,695)	\$(13,662,141)
Basic and diluted net loss per common share	\$ (0.72)	\$ (0.65)
Weighted-average shares outstanding used in computing basic and diluted net loss per common share	44,149,145	21,035,400

LECSTAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31	
	2001	2000
OPERATING ACTIVITIES		
<S>		
Net loss	<C>	<C>
Adjustments to reconcile net loss to net cash used in operating activities:	\$ (29,907,846)	\$ (13,662,141)
Depreciation	1,065,437	650,621
Write-down of net fixed assets	679,295	-
Management fee expense	-	647,100
Amortization of intangible assets and impairment	12,175,171	1,633,277
Stock option compensation	368,380	361,974
Non-cash interest expense	6,915,351	4,848,678
Other non-cash items	-	12,568
Changes in operating assets and liabilities:		
Note receivable	-	30,000
Accounts receivable	(432,416)	(128,570)
Accounts payable	1,248,265	468,994
Accrued expenses	1,651,353	479,759
Unearned revenue	60,216	47,913
Prepaid and other assets	(171,104)	(168,021)
Net cash used in operating activities	(6,347,898)	(4,777,848)
INVESTING ACTIVITIES		
Purchases of property and equipment	(434,093)	(1,309,501)
Decrease in restricted cash	-	10,000
Cash acquired in Corzon merger	81,357	-
Purchase of certificate of deposit	-	(55,000)
Net cash used in investing activities	(352,736)	(1,354,501)
FINANCING ACTIVITIES		
Proceeds from the issuance of common stock	-	1,485,000
Proceeds from the issuance of preferred stock	-	850,000
Payment of offering costs	-	(189,250)
Proceeds from borrowing	7,125,000	5,250,000
Payment of long term debt	(149,134)	(2,564,395)
Payment of capital lease obligations	(365,713)	(380,376)
Net cash provided by financing activities	6,610,153	4,450,979
Decrease in cash and cash equivalents	(90,481)	(1,681,370)
Cash and cash equivalents at beginning of year	145,674	1,772,044
Cash and cash equivalents at end of year	\$ 55,193	\$ 90,674
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment via capital lease and notes payable	\$ (1,202,022)	\$ 2,097,002
Issuance of common stock for deferred compensation	\$ -	\$ 339,413
Issuance of ILD stock to purchase equipment	\$ -	\$ 375,000
Issuance of common stock to convert debentures and interest	\$ 5,380,753	\$ 5,025,000
Issuance of common stock to convert notes and interest	\$ 8,847,641	\$ -
Issuance of common stock to convert preferred stock & dividends	\$ 12,233,759	\$ -
Acquisition of Corzon:		
Liabilities assumed	\$ 7,149,501	
Assets acquired	\$ 241,919	
Goodwill recorded	\$ 12,165,101	

EXHIBIT C

Customer Notice



Date _____

Dear<

NuVox Communications, Inc., and LecStar Telecom, Inc., have entered into an agreement pursuant to which your account will be transferred to LecStar, pending regulatory approval. This back-office transfer will be transparent to you and will have no impact on your existing rates, terms, and conditions of service. To expedite the transition of your service to LecStar, you may sign the attached letter of agency and return it in the enclosed self-addressed envelope to LecStar.

Based in Atlanta, Georgia, LecStar offers local and long distance telephone services. Should you choose to select a different preferred carrier, you may do so within 30 days of this letter. If you have questions concerning your existing service, including billing issues, please contact NuVox Communications at 888-316-1778. If you would like to learn more about LecStar's extensive product set, please contact LecStar at 800-208-7033 or visit their website at www.lecstar.com.

Again, your existing NuVox Communications services will continue to operate at your current rates under your existing terms and conditions of service. You will receive advance notice of any future changes or enhancements to your service. If you currently use NuVox as your Internet provider, you will continue to receive fast, reliable access from them and will receive a separate NuVox invoice for your Internet service.

Your transition to LecStar will ensure that you continue to have access to superior services and world-class customer care. We appreciate your action on the attached letter of agency.

Sincerely,

Rick Raynes
Vice President, Business Development

(Detach here, sign and return)

BY SIGNING AND INITIALIZING THIS LETTER OF AGENCY, I AUTHORIZE THE CHANGE OF MY SERVICE PROVIDER TO LECSTAR FOR THE FOLLOWING TELEPHONE SERVICE(S) PROVIDED FROM MY NUVOX ACCOUNT.

Telephone Services

Local Service – Switch As is

Intrastate IntraLATA (Local Toll) Service

Intrastate InterLATA/Interstate (Long Distance) Service

International (Long Distance) Service

Customer Initials

Current provider



I designate LECSTAR to act as my agent to handle all necessary arrangements to change my service provider(s) to LECSTAR. I understand that I may designate only one service provider for each telephone service offered from each telephone number and that I may designate different service providers for Local Service, Intrastate IntraLATA Service, Intrastate InterLATA/Interstate Service and International Service. I am at least eighteen (18) years old and am legally authorized to make the change(s). I also understand that there may be a fee associated with switching service provider(s). (My signature on this letter of agency will result in a change of my service provider to LECSTAR for the services authorized above.)

Customer Signature _____ Date _____

LECSTARSM Telephone Service

Terms and Conditions

The telephone service provided by LecStar is subject to the following conditions:

Taxes – Regulatory fees and taxes will be charged as required by law and may differ from those charged from your previous provider. These items include PIC-C Fee, Subscriber Line Charge Fee, E911 Fee, LNP Fee, TRS Fees and Local, State and Federal taxes.

1. **Long-Distance and other Usage Calls** – For the LecStar long-distance rates to apply, the customer must select LecStar as their preferred Local, "1+" Local Toll and "1+" Long Distance provider. The long-distance service price is only for "1+" service for calls placed from the customer's service number to numbers within the contiguous 48 states. All operator assisted (collect, operator dialed, calling card, etc.), pay-per-use, (*21, *69, 411, etc.) and international calls will be at the rates offered by LecStar pursuant to its federal or state tariffs or price/rate lists, which may be modified from time to time. Calls made to enhanced service providers (900, 976, etc.) and long distance providers using "dial around access" (1010xxx) will be billed to the customer by the service provider responsible for those services at their standard rates.
2. **Billing** –When the customer's service is transferred to LecStar, the customer will receive a final bill from Nuvox for all charges and service credits (if any) incurred prior to the transfer to LecStar.

Your initial telephone bill from LecStar may include charges for the first "partial" billing period plus charges, fees and taxes for the first complete billing period, depending on your billing cycle. Please check the dates of service on your first invoice.

LecStar Telecom, Inc., P.O. Box 672075, Marietta, GA 30006-0035

Email: customerservice@LecStar.com

For Customer Service, please call 1-800-208-7033

<Name>

<Address>

<City, State, Zip>:

<County>:

<Telephone Number>

<NuVox Account #>:

*****Please detach, complete the reverse side, sign and return in the envelope provided*****